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UNCLAS AMMAN 006517

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STATE FOR E AND EB/CBA - MERMOUD
STATE PASS USTR FOR NED SAUMS
COMMERCE FOR 4520/ITA/MAC/ONE/LOBERG

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SUBJECT: JORDAN'S QIZ MANAGERS SEEKING CONFERENCE DURING
FTA JC

REF: A. AMMAN 1892
B. AMMAN 5485

¶1. (u) Summary: Building on U/S Larson's visit to Amman last month, QIZ park managers and GOJ officials are proposing an investment promotion event to coincide with the December 11-12 FTA Joint Commission meeting in Washington. We believe such an event could help encourage both new QIZ investment and encourage the diversification of Jordan's economy away from dependence on Iraq. We are prepared to assist in planning for any such event. End Summary.

¶2. (u) In the past two weeks, we have been approached by QIZ park managers Halim Salfiti (Al Tajammouat), Jack Khayyat (Al Dulayl), and Amr Majali (Irbid/Kerak/Aqaba), as well as by Jordan Investment Board Director Reem Badran and QIZ "forefather" Omar Salah, about the possibility of setting up a QIZ-related event to take advantage of the planned FTA Joint Commission meeting in Washington in mid December. They picture an event similar in structure and goals to an event they attempted unsuccessfully to launch in Jordan earlier this year (reftel). They propose a U.S. Government-hosted conference with either CEO's or Sourcing/Buying VP's from major U.S. retailers, along with senior representatives from the U.S. Association of Importers of Textile and Apparel Products (USAITA). Such an event, they believe, will not only encourage more sourcing from Jordan, but will also provide the positive PR necessary to coax additional third-country investment in the QIZ's.

¶3. (u) As discussed during U/S Larson's visit to Amman and Omar Salah's meeting in Washington with DoS Business Coordinator Mermoud, such an event would provide a forum to address particular concerns U.S. companies have, either as buyers or investors, regarding political risk factors in Jordan - specifically, how the Intifada and the prospect of war in Iraq are affecting QIZ production, and how the GOJ and park managers plan to mitigate those impacts. While a number of U.S. retailers are represented in the QIZ's, a number of influential companies (notably GAP, Inc. and Victoria's Secret) have cited these political risks as a primary reason

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for withholding orders and investment.

¶4. (u) Minister of Industry and Trade Salah al Bashir, who will lead the Jordanian delegation to the Joint Commission, supports this initiative. We continue to believe in the concept to encourage and bolster the QIZ initiative, which has been successful beyond expectations, but still can make greater contributions to Jordan's economic growth (ref b). Given the current uncertainties about the economic fallout of possible military action in Iraq, such an event would be a timely complement to the official JC meetings. It would also provide substantive press coverage for the FTA/JC and real business opportunities in the QIZ's. In particular, QIZ managers will be able to pitch major retailers who have been reluctant to begin operations in Jordan because of their concerns about possible disruptions in supply resulting from either coalition activity in Iraq or an exacerbation of the Israeli-Palestinian conflict.

¶5. (u) We think a meeting at the State Department chaired by U/S Larson and Minister Bashir would be a natural follow-up to the Under Secretary's visit to Jordan and would provide the pull necessary to bring major garment retailer CEO's and/or senior VP's, along with senior representatives from USAITA, to the table. We would be happy to help put such a conference together.

GNEHM